

SPALDING TOWNSHIP
(Menominee)
Financial Report
with Supplemental Information
Prepared in Accordance with GASB-34

For the Year Ended
March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|---|--------------------------------------|--|--|
| Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other <u>Spalding</u> | | County <u>Menominee</u> | |
| Audit Date <u>March 31, 2004</u> | Opinion Date <u>June 21, 2004</u> | Date Accountant Report Submitted to State: <u>September 1, 2004</u> | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | | | X |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|---|--------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) <u>CARL R. SORENSEN, CPA</u> | | | |
| Street Address <u>844 PIERCE AVENUE</u> | City <u>MARINETTE</u> | State <u>WI</u> | ZIP <u>54143</u> |
| Accountant Signature  | | | |

Spalding Township

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Carl R. Sorensen

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Town Board
Spalding Township
Menominee County, Michigan

I have audited the accompanying general purpose financial statements of the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information of Spalding Township, Menominee County, Michigan, for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, each major fund and the aggregate remaining fund information of Spalding Township, Menominee County, Michigan, as of March 31, 2004, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

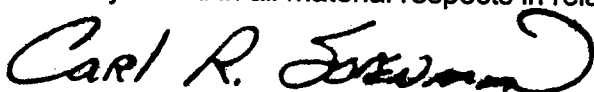
In accordance with *Government Auditing Standards*, I have also issued a report dated June 21, 2004, on my consideration of the Township of Spalding's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Required Supplemental Information

The Management's discussion and analysis and budgetary comparison information on pages 2 through 7 and pages 20 and 21 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

Other Supplemental Information

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental information is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Spalding Township and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.



June 21, 2004

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

This section of the Township of Spalding's annual financial report presents my analysis of the Township's financial performance during the year ended March 31, 2004. It is to be read in conjunction with the Town's financial statements which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments* and is intended to provide the financial results for the year ending March 31, 2004. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Financial Highlights

The assets of the Township of Spalding exceeded its liabilities as of March 31, 2004 by \$1,172,813 (net assets). Of this amount, \$1,052,448 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors. The total Township's net assets include infrastructure of the Township funds installed for April 1, 2003 to the present.

The Township of Spalding's total net assets increased by a net amount of \$61,242.

As of March 31, 2004, the Township's Governmental Funds reported combined ending fund balances of \$1,052,448, an increase of \$32,005 in comparison with the prior year. Approximately 31%, or \$327,985 is available for spending at the Township's discretion (unrestricted fund balance). The Township has designated \$66,734 for specific purposes and \$657,729 is comprised of Block Grant Funds used to borrow to company's for economic development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Spalding's basic financial statements. These basic financial statements are comprised of three component's: 1.) Government-wide financial statements, 2) fund financial statements, and 3.) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statement

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Township of Spalding's finances, in a manner similar to a private-sector business.

The statement of Net Assets presents information on all of the Township of Spalding's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township of Spalding is improving or deteriorating.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

Government-wide Financial Statements (continued)

The Statement of Activities presents information showing how the Government's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-wide financial statements distinguish functions of the Township of Spalding that are principally supported by taxes and intergovernmental revenues (*Governmental activities*). The Governmental activities of the Township of Spalding include general Government, public safety, public works, culture and recreation.

The Government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Spalding, like other state and local Governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Spalding can be divided into two categories: Governmental funds and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as Governmental activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, Governmental fund financial statements focus on *near-term outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Government's near-term financing requirements.

Because the focus of Governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *Governmental funds* with similar information presented for *Governmental activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the Government's near-term financing decisions. Both the Governmental fund balance sheet and the Governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental funds* and *Governmental activities*.

The basic Governmental fund financial statements can be found on pages 10 and 12 of this report.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the Government-wide financial statement because the resources of those funds are not available to support the Township of Spalding's programs. The fiduciary fund maintained by the Township of Spalding is the Tax Collection Fund which records the tax roll and tax collections for other taxing jurisdictions within the Township of Spalding.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison statement for the General Fund and Fire Fund to demonstrate compliance with the budget and complements the statement included in the basic Governmental fund financial statements. These statements can be found on pages 20 and 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a Government's financial position. In the case of the Township of Spalding, assets exceeded liabilities by \$1,172,813 at the close of March 31, 2004.

Township of Spalding's Net Assets

| | |
|--|---|
| | Governmental Activities <u>March 31, 2004</u> |
| Current and other assets | \$ 1,052,448 |
| Capital assets | 120,365 |
| Total Assets | <u>\$ 1,172,813</u> |
| Long-term liabilities outstanding | \$ - |
| Other liabilities | - |
| | <u>\$ -</u> |
| Net Assets: | |
| Invested in capital assets net of related debt | \$ 120,365 |
| Unrestricted | 1,052,448 |
| | <u>\$ 1,172,813</u> |

A portion of the Township of Spalding's net assets (approximately 10%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Township of Spalding uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township of Spalding's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2004, the Township had no debt on these assets.

Another portion of the Town's net assets comprises of notes receivable (approximately 31%). These amounts represent loans to local businesses for economic development. They are paid back to the Township in varying installments with varying rates of interest charged.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

Governmental Activities

Governmental activities increased the Township of Spalding's net assets by \$61,242 accounting for 100% of the total growth in the net assets of the Township of Spalding. Key elements of this increase are as follows:

| | <u>Governmental Activities March 31, 2004</u> |
|------------------------------------|---|
| REVENUE | |
| Program Revenue: | |
| Charges for service | \$ 5,939 |
| Operating grants and contributions | 109,022 |
| General Revenue | |
| Property taxes | 80,920 |
| Investment income | 23,809 |
| Miscellaneous | 5,649 |
| Total Revenue | <u>225,339</u> |
| EXPENSES | |
| General Government: | |
| Public safety | 102,932 |
| Public works | 27,817 |
| Culture and recreation | 14,316 |
| Total Expenses | <u>19,032</u> <u>164,097</u> |
| Increase in Net Assets | 61,242 |
| Net Assets - beginning of year | <u>1,111,571</u> |
| Net Assets - end of year | <u>\$ 1,172,813</u> |

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

Public safety activities accounts for approximately 17% of total expenditures within the Governmental funds of the Township of Spalding.

Public works accounts for approximately 9% percent of total expenditure within Governmental funds of the Township of Spalding.

Historically state revenue is the largest revenue source for Governmental Activities accounting for 44% of total revenue. Property tax revenues provides 36% of total revenue.

Financial Analysis of the Government's Funds

As noted earlier the Township of Spalding uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Township of Spalding's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township of Spalding's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a Government's net resources available for spending at the end of the fiscal year.

As of March 31, 2004, the Township of Spalding's Governmental funds reported combined ending balances of \$1,052,448 an increase of \$32,005 in comparison with the prior year. Approximately 31% or \$327,985 constitutes unreserved fund balance, which is available for spending at the Government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other projects.

General Fund Budgetary Highlights

The original general fund and fire fund budgets were amended during the year. Actual expenditures were more than budgeted expenditures by \$1,046 in the fire fund.

A budget for the Block Grant was not prepared or adopted.

SPALDING TOWNSHIP

Management's Discussion and Analysis for the Year Ended March 31, 2004

Capital Asset and Debt Administration

Capital Assets

The Township of Spalding's investment in capital assets for its Governmental activities as of March 31, 2004 amounts to \$120,365 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery, equipment and infrastructure.

Township of Spalding's Capital Assets

| | <u>Governmental Activity</u> |
|------------------------------------|----------------------------------|
| Land improvements | \$ 36,000 |
| Buildings | 128,000 |
| Machinery and equipment | 397,500 |
| Infrastructure | <u>7,750</u> |
| Total Capital Assets | 569,250 |
| Less accumulated depreciation | <u>448,885</u> |
| Capital Assets Net of Depreciation | <u>\$ 120,365</u> |

Debt

The Township debt activity consisted of activity for road work.

Township of Spalding's Outstanding Debt

| | <u>Balance 04-01-03</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 03-31-04</u> |
|-----------------|-----------------------------|------------------|------------------|-----------------------------|
| Road commission | <u>\$ 27,538</u> | <u>\$ 15,605</u> | <u>\$ 43,143</u> | <u>\$ -</u> |

Requests for Information

This financial report is designed to provide a general overview of the Township of Spalding's finances for all those with an interest in the Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Board.

Spalding Township

Statement of Net Assets for the Year Ended March 31, 2004

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 682,016 |
| Due from other Governmental units | 5,415 |
| Current portion of notes receivable | <u>23,000</u> |
| Total Current Assets | <u>710,431</u> |
| Non-Current Assets | |
| Notes receivable | 342,017 |
| Capital assets | 569,250 |
| Less accumulated depreciation | <u>(448,885)</u> |
| Total Non-Current Assets | <u>462,382</u> |
| Total Assets | <u>\$ 1,172,813</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ <u> </u> |
| Total Current Liabilities | <u> </u> |
| Net Assets | |
| Net assets invested in capital assets, net of related debt | 120,365 |
| Unrestricted | <u>1,052,448</u> |
| Total Net Assets | <u>1,172,813</u> |
| Total Liabilities and Net Assets | <u>\$ 1,172,813</u> |

Spalding Township

Statement Activities for the Year Ended March 31, 2004

| | | <u>Program Revenue</u> | | <u>Governmental Activities</u> |
|---|--------------------------|------------------------------------|-----------------------------|---|
| | <u>Expense</u> | <u>Charges for Service</u> | <u>Operating Grants</u> | <u>Net (expense) Revenue and Change in Net Assets</u> |
| FUNCTIONS/PROGRAMS | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 102,932 | \$ 5,939 | \$ 99,031 | \$ 2,038 |
| Public safety | 27,817 | — | 9,991 | (17,826) |
| Public works | 14,316 | — | — | (14,316) |
| Culture and recreation | 19,032 | — | — | (19,032) |
| Total Governmental Activities | \$ <u>164,097</u> | \$ <u>5,939</u> | \$ <u>109,022</u> | (49,136) |
| GENERAL REVENUES | | | | |
| Taxes | | | | |
| Property taxes, levied for general operations | | | | 50,621 |
| Property taxes, levied for fire service | | | | 30,299 |
| Interest and investment earnings | | | | 23,809 |
| Miscellaneous | | | | <u>5,649</u> |
| Total General Revenue | | | | <u>110,378</u> |
| Changes in Net Assets | | | | 61,242 |
| Net Assets: | | | | |
| Beginning of Year | | | | <u>1,111,571</u> |
| End of Year | | | | \$ <u>1,172,813</u> |

Spalding Township
Balance Sheet
Governmental Funds
for the Year Ended March 31, 2004

| | <u>General</u> | <u>Fire</u> | <u>Block Grant</u> | <u>Other Governmental Units</u> | <u>Total</u> |
|--|-----------------------|----------------------|------------------------|---|-------------------------|
| ASSETS | | | | | |
| Cash and cash investments | \$ 250,082 | \$ 70,821 | \$ 292,712 | \$ 68,401 | \$ 682,016 |
| Due from other Governmental units | 3,227 | 2,188 | - | - | 5,415 |
| Notes receivable | - | - | 365,017 | - | 365,017 |
| Total Assets | <u>\$ 253,309</u> | <u>\$ 73,009</u> | <u>\$ 657,729</u> | <u>\$ 68,401</u> | <u>\$ 1,052,448</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | - | - | - | - | - |
| FUND BALANCES | | | | | |
| Designated for: budget stabilization | 12,405 | - | - | - | 12,405 |
| Designated for: improvements | 11,739 | - | - | - | 11,739 |
| Designated for: landfill closure | 42,590 | - | - | - | 42,590 |
| Undesignated | <u>186,575</u> | <u>73,009</u> | <u>657,729</u> | <u>68,401</u> | <u>985,714</u> |
| Total Fund Balance | <u>253,309</u> | <u>73,009</u> | <u>657,729</u> | <u>68,401</u> | <u>1,052,448</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 253,309</u> | <u>\$ 73,009</u> | <u>\$ 657,729</u> | <u>\$ 68,401</u> | <u>\$ 1,052,448</u> |

Spalding Township
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
for the Year Ended March 31, 2004

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 1,052,448 |
|--|--------------|

*Amounts reported for Governmental Activities in the statement
of net assets are different because:*

| | |
|--|-------------------|
| Capital assets used in Governmental assets | 569,250 |
| Accumulated depreciation | <u>(448,885)</u> |

| | |
|---------------------------------------|---------------------|
| Net Assets of Governmental Activities | <u>\$ 1,172,813</u> |
|---------------------------------------|---------------------|

Spalding Township
Combined Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Fund
for the Year Ended March 31, 2004

| | <u>General</u> | <u>Fire</u> | <u>Block Grant</u> | <u>Other Governmental Units</u> | <u>Total</u> |
|---|-------------------|------------------|------------------------|---|---------------------|
| REVENUE | | | | | |
| Taxes | \$ 50,621 | \$ 30,299 | \$ - | \$ - | \$ 80,920 |
| State grants | 99,031 | - | - | 991 | 100,022 |
| Charges for services | - | - | - | 5,939 | 5,939 |
| Interest and rents | 4,179 | - | 17,831 | 1,799 | 23,809 |
| Local unit contributors | - | - | - | 9,000 | 9,000 |
| Other revenue | <u>3,393</u> | <u>786</u> | <u>-</u> | <u>1,470</u> | <u>5,649</u> |
| Total Revenues | 157,224 | 31,085 | 17,831 | 19,199 | 225,339 |
| EXPENDITURES | | | | | |
| General Government | 76,064 | - | - | 12,630 | 88,694 |
| Public safety | - | 27,014 | - | 803 | 27,817 |
| Public works | 49,604 | - | - | - | 49,604 |
| Culture and recreation | 18,219 | - | - | - | 18,219 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,000</u> | <u>9,000</u> |
| Total Expenditures | 143,887 | 27,014 | - | 22,433 | 193,334 |
| Excess of Revenues Over (Under) Expenditures | 13,337 | 4,071 | 17,831 | (3,234) | 32,005 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Finance Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Changes in Fund Balance | 13,337 | 4,071 | 17,831 | (3,234) | 32,005 |
| Fund Balances April 1 | <u>239,972</u> | <u>68,938</u> | <u>639,898</u> | <u>71,635</u> | <u>1,020,443</u> |
| Fund Balances March 31 | <u>\$ 253,309</u> | <u>\$ 73,009</u> | <u>\$ 657,729</u> | <u>\$ 68,401</u> | <u>\$ 1,052,448</u> |

Spalding Township
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended March 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 32,005

*Amounts reported for Governmental Activities in the statement
of activities are different because:*

Governmental funds report capital outlay as expenditures
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation.

| | |
|----------------------|-----------|
| Depreciation expense | (15,051) |
| Capital outlay | 16,750 |

| | |
|---|---------------|
| Repayment of debt is an expenditure in the Governmental funds, but not in the statement of activities (where it reduces long-term debt) | <u>27,538</u> |
|---|---------------|

| | |
|--|------------------|
| Changes in Net Assets of Governmental Activities | <u>\$ 61,242</u> |
|--|------------------|

Spalding Township
Statement of Fiduciary Net Assets
Fiduciary Funds
for the Year Ended March 31, 2004

| | |
|---------------------------|---|
| | Agency Fund Student Activities |
| ASSETS | |
| Cash and cash equivalents | <u>8,019</u> |
| Total Assets | <u>\$ 8,019</u> |
| LIABILITIES | |
| Governmental units | <u>8,019</u> |
| Total Liabilities | <u>\$ 8,019</u> |

SPALDING TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spalding Township is incorporated under the laws of the State of Michigan. The Township operates under an elected board. The Township provides the services of Fire Protection and General Administrative Services. The accounting policies of Spalding Township conform to generally accepted accounting principles as applicable to governmental units.

A. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary Government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All the Town's Government-wide activities are considered Governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental funds and fiduciary funds even though the latter are excluded from the Government-wide financial statements. Major individual Governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the local unit. Revenues are derived primarily from Property Taxes, State Grants and Other Intergovernmental Revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUND

Trust and Agency Funds

The fiduciary fund is used to account for assets held as an agent for others.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-Wide Statements

The Town's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

SPALDING TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-Wide Statements (continued)

Accounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and State aid.

Fund Based Statements

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Property taxes, State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

C. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Township. State statutes authorize the governing body of a Township to invest surplus funds in direct obligations of the United States Treasury, in deposit and savings accounts of any Federally insured bank, savings and loan or credit union, commercial paper, United States repurchase agreements, bankers' acceptance of U.S. banks, in certain mutual funds and in investment pools.

Investments are reported at fair value which is determined using select basis. Short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

D. Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

E. Fund Balance Designations

The Township classifies its Fund Balances as follows:

- 1.) Designations of fund balance represent tentative plans by the Township for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year.
- 2.) Undesignated fund balance indicates that portion of fund balance which is available for use in future periods.

SPALDING TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budget Basis of Accounting

Budgets are annually adopted on the modified accrual basis of accounting. The original budgets were amended January 21, 2004 and are presented in the accompanying financial statements.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1.) Prior to March 1, the Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2.) Public hearings are conducted to obtain tax payers' comments.
- 3.) Prior to April 1, the budget is legally enacted.
- 4.) The Township Board may authorize transfer budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund.
- 5.) Formal budgetary integration is employed as management control device during the year for the General Fund and Special Revenue Funds.

G. Capital Assets

Capital assets which include land, buildings, equipment and vehicles are reported in the applicable Governmental column in the Government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|------------------------------|---------------|
| Buildings and additions | 40 years |
| Vehicles and other equipment | 05 - 10 years |
| Infrastructure | 60 years |

Prior to April 2003, Governmental Funds Capital Assets were accounted for in the General Fixed Assets account group and were not recorded directly as a part of any individual funds financial statements. Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB 34 Governmental units are required to account for all capital assets including infrastructure in the Government-wide statements prospectively from the date of implementation.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

SPALDING TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 2 CASH AND INVESTMENTS

The Government Accounting Standards Board (GASB) Statement Number 3 risk disclosure for deposits at year end are as follows:

| <u>Deposits</u> | <u>Bank Deposits</u> |
|------------------------------|----------------------|
| Insured FDIC | \$ 681,313 |
| Uninsured total deposits | 62,520 |
| Investments | <u>—</u> |
| Total Deposits & Investments | <u>\$ 743,833</u> |

At year end the balance sheet carrying amount of deposits and investments was \$690,035.

NOTE 3 PROPERTY TAXES

The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on assessed valuation of property as of the preceding December 31 of \$23,995,792 and mileage of 2.4872. Assessed valuation, which is required by law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State. In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping governments in the Township, which includes school districts and the County.

NOTE 4 CAPITAL ASSETS

The changes in capital assets are as follows:

| | <u>Balance April 1, 2003</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance March 31, 2004</u> |
|-----------------------------------|----------------------------------|------------------|------------------|-----------------------------------|
| Land | \$ 36,000 | \$ — | \$ — | \$ 36,000 |
| Buildings | 128,000 | — | — | 128,000 |
| Equipment | 388,500 | 9,000 | — | 397,500 |
| Infrastructure | <u>—</u> | <u>7,750</u> | <u>—</u> | <u>7,750</u> |
| | 552,500 | 16,750 | — | 569,250 |
| Less: Accumulated Depreciation | <u>(433,834)</u> | <u>(15,051)</u> | <u>—</u> | <u>(448,885)</u> |
| Net Assets | <u>\$ 118,666</u> | <u>\$ 1,699</u> | <u>\$ —</u> | <u>\$ 120,365</u> |

Depreciation expenses were charged to funds as follows:

| | |
|----------------------|------------------|
| General | \$ 5,938 |
| Culture & recreation | 8,300 |
| Fire | 813 |
| | <u>\$ 15,051</u> |

SPALDING TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 5 JOINT VENTURE

The Township participates in the Powers-Spalding Water Authority. This joint venture does not meet the criteria for inclusion within the reporting entity since the Water Authority is:

Financially independent and responsible for financing its own deficits and entitled to its own surpluses.

Has a separate Governing Board.

Has a separate management which is responsible for day to day operations and is accountable to the separate Governing Board.

The Governing Board and Management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personal and determining the outcome or disposition of matters affecting the recipients of services provided and has absolute authority over all funds and fiscal responsibility and reporting to state agencies and control fiscal management.

The Township has two members on the Board. This Board has final authority for all budgeting and financing of the joint venture. The Township's share of the joint venture is one third. The audited financial information of the Authority as of February 29, 2003 is as follows:

| | |
|---------------------------------|---------------------|
| Assets | <u>\$ 1,970,881</u> |
| Current liabilities | \$ 36,776 |
| Long-term liabilities | 606,000 |
| Fund equity | <u>1,328,105</u> |
| Total Liabilities & Fund Equity | <u>\$ 1,970,881</u> |
| Revenue | \$ 98,277 |
| Expenditures | <u>125,885</u> |
| Net loss | <u>\$ (27,608)</u> |

NOTE 6 OUTSTANDING DEBT

A summary of debt on road improvements is as follows:

| | <u>Balance</u> <u>April 1, 2003</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>March 31, 2004</u> |
|------------------|--|------------------|-------------------|---|
| Menominee County | <u>\$ 27,538</u> | <u>\$ 15,605</u> | <u>\$ 43,143</u> | <u>\$ —</u> |

There is no interest rate charged.

NOTE 7 RISK MANAGEMENT

The Townships Risk Management activities are recorded in the General Fund. Significant losses are covered by commercial insurance. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years.

NOTE 8 TOTAL - MEMORANDUM ONLY

The combined financial statements of fund types present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

REQUIRED SUPPLEMENTAL INFORMATION

Spalding Township
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended March 31, 2004

| | Original Budget | Final Budget | Actual |
|--|--------------------|-------------------|-------------------|
| REVENUES: | | | |
| Taxes | \$ 45,760 | \$ 50,621 | \$ 50,621 |
| State grants | 106,000 | 99,031 | 99,031 |
| Interest and rents | 7,500 | 4,179 | 4,179 |
| Other revenue | <u>11,720</u> | <u>3,393</u> | <u>3,393</u> |
| Total Revenues | 170,980 | 157,224 | 157,224 |
| EXPENDITURES: | | | |
| General government | 106,680 | 95,460 | 76,064 |
| Public works | 43,500 | 43,604 | 49,604 |
| Culture and recreation | <u>15,800</u> | <u>18,219</u> | <u>18,219</u> |
| Total Expenditures | <u>165,980</u> | <u>157,283</u> | <u>143,887</u> |
| Excess of Revenues Over (Under) Expenditures | 5,000 | (59) | 13,337 |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | (5,000) | - | - |
| Total other financing sources (uses) | <u>(5,000)</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | - | (59) | 13,337 |
| FUND BALANCES, April 1 | <u>239,972</u> | <u>239,972</u> | <u>239,972</u> |
| FUND BALANCES, March 31 | <u>\$ 239,972</u> | <u>\$ 239,913</u> | <u>\$ 253,309</u> |

Spalding Township
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fire Fund
Year Ended March 31, 2004

| | Original Budget | Final Budget | Actual |
|--|--------------------|------------------|------------------|
| REVENUES: | | | |
| Taxes | \$ 30,214 | \$ 30,546 | \$ 30,299 |
| State grants | - | - | - |
| Interest and rents | - | - | - |
| Local unit contributions | - | - | - |
| Other revenue | <u>1,360</u> | <u>1,360</u> | <u>786</u> |
| Total Revenues | 31,574 | 31,906 | 31,085 |
| EXPENDITURES: | | | |
| General government | - | - | - |
| Public safety | 31,000 | 25,968 | 27,014 |
| Public works | - | - | - |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>31,000</u> | <u>25,968</u> | <u>27,014</u> |
| Excess of Revenues Over (Under) Expenditures | 574 | 5,938 | 4,071 |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 574 | 5,938 | 4,071 |
| FUND BALANCES, April 1 | <u>68,938</u> | <u>68,938</u> | <u>68,938</u> |
| FUND BALANCES, March 31 | <u>\$ 69,512</u> | <u>\$ 74,876</u> | <u>\$ 73,009</u> |

OTHER SUPPLEMENTAL INFORMATION

Spalding Township
Non-Major Governmental Funds
Combining Balance Sheet
for the Year Ended March 31, 2004

| | <u>Special Revenue</u> | | | <u>Permanent Fund</u> | |
|--|------------------------|---------------|----------------------------|---------------------------|------------------|
| | <u>Cemetery</u> | <u>Liquor</u> | <u>Community Grant</u> | <u>Perpetual Care</u> | <u>Total</u> |
| ASSETS | | | | | |
| Cash and cash investments | \$ 2,740 | \$ 930 | \$ 17 | \$ 64,714 | \$ 68,401 |
| Due from other Govt. units | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Total Assets | <u>\$ 2,740</u> | <u>\$ 930</u> | <u>\$ 17</u> | <u>\$ 64,714</u> | <u>\$ 68,401</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Roads | - | - | - | - | - |
| Truck | - | - | - | - | - |
| Undesignated | <u>2,740</u> | <u>930</u> | <u>17</u> | <u>64,714</u> | <u>68,401</u> |
| Total Fund Balance | <u>\$ 2,740</u> | <u>\$ 930</u> | <u>\$ 17</u> | <u>\$ 64,714</u> | <u>\$ 68,401</u> |

Spalding Township
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
for the Year Ended March 31, 2004

| | <u>Special Revenue</u> | | | <u>Permanent Fund Perpetual Care</u> | <u>Total</u> |
|---|------------------------|---------------|----------------------------|--|------------------|
| | <u>Cemetery</u> | <u>Liquor</u> | <u>Community Grant</u> | | |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| State grants | - | 991 | - | - | 991 |
| Charges for services | 5,939 | - | - | - | 5,939 |
| Interest and rents | 1,730 | - | 19 | 50 | 1,799 |
| Local unit contributors | - | - | 9,000 | - | 9,000 |
| Other revenue | <u>270</u> | <u>-</u> | <u>-</u> | <u>1,200</u> | <u>1,470</u> |
| Total Revenues | <u>7,939</u> | <u>991</u> | <u>9,019</u> | <u>1,250</u> | <u>19,199</u> |
| EXPENDITURES | | | | | |
| General Government | 11,190 | - | 1,333 | 107 | 12,630 |
| Public safety | - | 803 | - | - | 803 |
| Public works | - | - | - | - | - |
| Capital outlay | <u>-</u> | <u>-</u> | <u>9,000</u> | <u>-</u> | <u>9,000</u> |
| Total Expenditures | <u>11,190</u> | <u>803</u> | <u>10,333</u> | <u>107</u> | <u>22,433</u> |
| Excess of Revenues Over (Under) Expenditures | (3,251) | 188 | (1,314) | 1,143 | (3,234) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Finance Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Changes in Fund Balance | (3,251) | 188 | (1,314) | 1,143 | (3,234) |
| Fund Balances April 1 | <u>5,991</u> | <u>742</u> | <u>1,331</u> | <u>63,571</u> | <u>71,635</u> |
| Fund Balances March 31 | <u>\$ 2,740</u> | <u>\$ 930</u> | <u>\$ 17</u> | <u>\$ 64,714</u> | <u>\$ 68,401</u> |

Spalding Township
General Fund
Statement of Revenues
For the Year Ended March 31, 2004

Taxes:

| | |
|----------------|--------------|
| Property taxes | \$ 41,289 |
| Swamp tax | 5,365 |
| CFA tax | <u>3,967</u> |
| | 50,621 |

State Grants:

| | |
|-----------------------|--------|
| State revenue sharing | 99,031 |
|-----------------------|--------|

Interest and Rentals:

| | |
|----------|--------------|
| Interest | <u>4,179</u> |
| | 4,179 |

Other:

| | |
|--------------------|-------------------|
| Administrative fee | 1,731 |
| Camp fees | 1,319 |
| Miscellaneous | <u>343</u> |
| | <u>3,393</u> |
| | <u>\$ 157,224</u> |

Spalding Township
General Fund
Statement of Expenditures
For the Year Ended March 31, 2004

General Government:

| | |
|---------------------|--------------|
| Township Board | \$ 4,744 |
| Township supervisor | 8,774 |
| Township clerk | 7,441 |
| Township treasurer | 11,011 |
| Elections | 274 |
| Township hall | 8,754 |
| Assessing | 21,779 |
| Board of review | 975 |
| Payroll taxes | 9,160 |
| Insurance | <u>3,152</u> |
| | 76,064 |

Recreation and Culture:

| | |
|-------|--------|
| Parks | 18,219 |
|-------|--------|

Public Works:

| | |
|----------------------|-------------------|
| Street lighting | 8,604 |
| Streets and highways | 35,000 |
| Water authority | <u>6,000</u> |
| | 49,604 |
| | <u>\$ 143,887</u> |

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Township Board
Spalding Township
Menominee County, Michigan

I have audited the financial statements of Spalding Township for the year ended March 31, 2004, and have issued my report thereon dated June 21, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

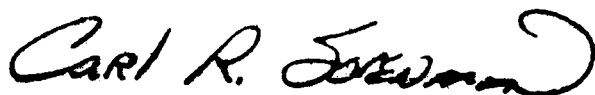
As part of obtaining reasonable assurance about whether Spalding Township's financial statements are free of material misstatement I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Spalding Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Spalding Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I believe the reportable condition described in the Schedule of Findings is a material weakness.

This report is intended solely for the information and use of the management of Spalding Township and it is not intended to be and should not be used by anyone other than those specified parties.



June 21, 2004

Spalding Township

SCHEDULE OF FINDINGS Year Ended March 31, 2004

Financial Statement Finding

Segregation of Duties - The size of the Township's office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in a Township of your size, but the Board should continue to be aware of this condition and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under these conditions, the most effective controls lie in the Board's knowledge of matters relative to the Township's operations.